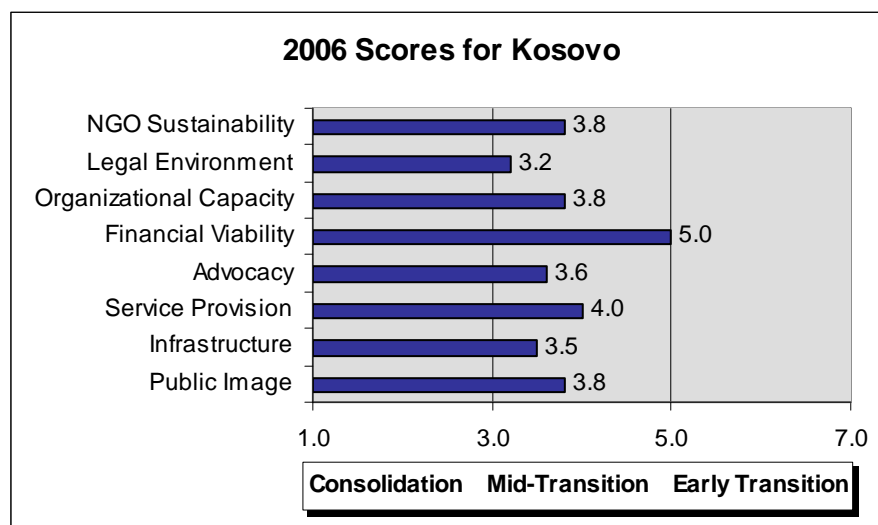


Kosovo



Capital: Pristina

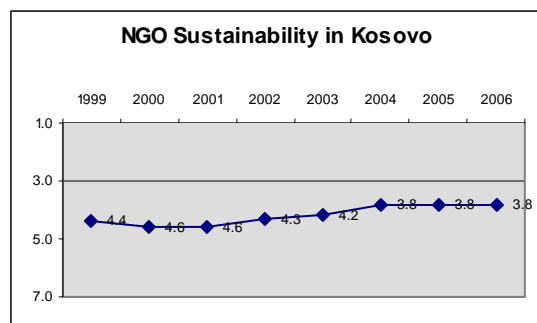
Polity: International protectorate

Population:
2,000,000

**GDP per capita
(PPP):** \$1,600

NGO SUSTAINABILITY: 3.8

The past year may easily be characterized as the most politically intense year in post-war Kosovo, as the process for defining the final status of Kosovo has officially begun. The negotiations taking place in Vienna, Austria are being facilitated by and are under strict supervision of the Special UN Envoy, the former Finnish President Mr. Martti Ahtisaari. This process succeeded the positive evaluation of Standards Implementation by the Special Envoy of the UN Secretary General, Mr. Kai Eide. During the ongoing negotiation process, practically all other aspects of life in Kosovo have been paralyzed.



The negotiation process is tense due to the uncertain end-results. In addition to the “Vetevendoja,” or “Self Determination”

movement in Albanian, which was very active in Kosovo during 2006, other indicators of the public’s unease with the uncertainty have surfaced. The death of President Rugova, the removal of the Speaker of Parliament, Mr. Nexhat Daci, from office, and the appointment of Mr. Agim Ceku, the former Kosovo Protection Corps Commanding General, as Prime Minister of Kosovo, and other events influenced and shaped the political environment in Kosovo. Another change in the political environment was the replacement of the head of UNMIK, Mr. Søren Jessen-Petersen, with the former head of Pillar IV, Mr. Joachim Rucker.

The economic challenges have not changed much over the past year. Unemployment remains the highest in Europe and poverty is wide-spread. The only economic progress has resulted from the privatization process; over 90% of the publicly owned enterprises have already been sold. It is still too early to assess the success of the process.

The number of NGOs registered in Kosovo remains approximately 3,800. Of these, only 150 are well-established and active. Cooperation and networking between NGOs from different ethnic backgrounds and regions did not change significantly over the past year.

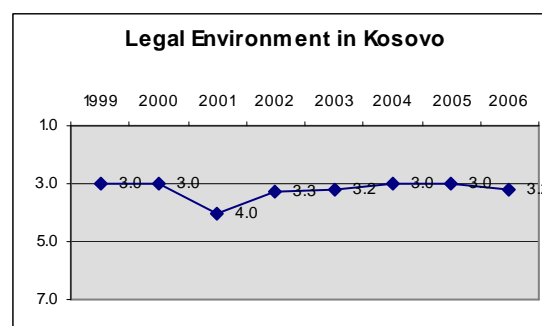
The more active NGOs have improved their organizational structures, infrastructures, and financial viability. The law on public procurements enacted more than two years ago has enabled NGOs to compete for government contracts to provide goods and services.

The new NGO law, which has not yet been signed by the head of UNMIK, presents serious threats to the entire sector. In addition to the direct impact it could have on NGO operations, the new law has increased uncertainty within the entire sector, hindering long-term strategic planning. This indicates that the overall sustainability of the sector is unimproved over last year.

LEGAL ENVIRONMENT: 3.2

The legal environment governing nonprofit organizations in Kosovo has deteriorated significantly over the past year. The UNMIK regulations for the registration of new organizations ensure a quick and easy process, though the new NGO law if signed will make the regulation of NGO activities more complicated. The inadequate laws and lack of administrative regulations have confused NGOs about their reporting requirements. In addition, the government is requiring that micro finance institutions register as for-profit businesses, which is an uncommon practice. Amendments to the VAT regulation require that all NGOs, even those with public benefit status, pay VAT on imports, including donated goods. These amendments have had a negative affect on humanitarian assistance organizations.

Despite these restrictions, the law continues to prevent the state and government officials from dissolving NGOS for political reasons. Government officials and tax authorities do not harass NGOs. In 2006, however, tax inspectors visited NGOs more often than in the past. This was not an effort to impede NGO activities, rather an effort to consolidate the presence of the Kosovo tax authority. The Kosovo Police Service interrupted NGO activities in a few instances in which they considered the activities to be a threat to national security. Activists in the “Vetevendoja” movement, for example, were detained under house arrest for activities that appeared to threaten authorities.

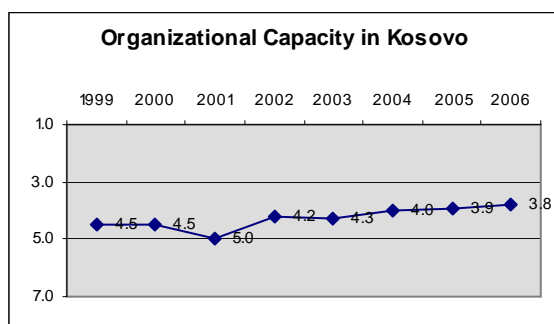


The number of experts in NGO law did not change over the past year. The Kosovar Institute for Not-for-Profit Law (IKDO), once the only organization that provided legal advice to NGOs, no longer offers services. Since NGOs encounter few legal problems, the demand for expert services remains low. NGOs are exempt from paying taxes on their grants. The law permits businesses and individuals to donate up to 5% of income to charitable organizations. Currently, the law does not distinguish between sponsorship and advertising, which is one obstacle to increasing local philanthropy.

The law permits NGOs to earn income by providing goods and services, as well as compete for government grants at the local and central levels, and the government awarded more grants and contracts to NGOs than in past years.

ORGANIZATIONAL CAPACITY: 3.8

NGOs with strong constituencies are generally those that provide services or are membership organizations. Such organizations focus most of their fundraising efforts on domestic sources or from the Diaspora. Examples include Mother Theresa, the Association of War Veterans, Association of War Invalids, and Vetevendosja. Organizations focused on democracy, economic development, and other areas of research and policy depend primarily on funding from international sources. Few think-tanks and research organizations generate income by providing services to the Government.



Kosovo is undergoing a very rapid transition process, and as a result, the NGO sector and the rest of society are experiencing abrupt changes as well. As international donors have decreased their presence in Kosovo, the inefficient organizations have ceased to exist,

FINANCIAL VIABILITY: 5.0

Though international donors have decreased their presence, the financial viability of NGOs has improved. One explanation is the large number of inactive organizations that have been dissolved; the organizations that remain are those that have achieved a higher level of financial sustainability. Local philanthropy continues to be underdeveloped, however, which limits the sector's long-term financial viability. Think-tanks, for example, continue to depend on international donors. NGOs have failed to reach out to and develop their constituencies, and as a result NGOs remain

while active organizations have increased their efficiency by re-organizing and reducing the number of full-time staff. A large percentage of active NGOs are consolidated and have well-established structures, procedures and policies. In addition, NGOs are increasingly developing cooperative relationships with each other around common issues. The number of successful relationships is small, however, and the sector is in need of improvement.

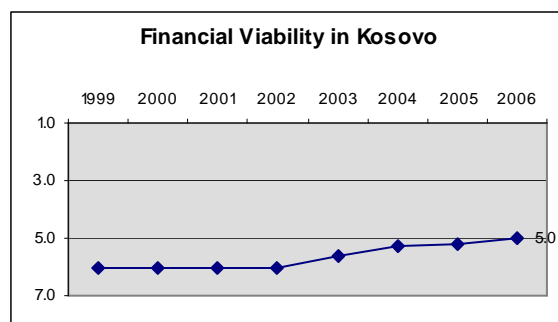
Those involved with NGOs have satisfactory levels of professionalism and experience. NGOs generally have permanent staff and maintain lists of part-time staff that they hire according to their current projects. Though Kosovo has a long tradition of volunteerism that peaked in the 1990's, NGOs are now experiencing difficulties recruiting volunteers. One reason may be that the volunteerism of the 1990's was largely issue-based and fit within the concept of patriotic duty. Kosovar society and the NGO community should provide greater incentives to promote volunteerism, and should inform citizens that there are many reasons to volunteer.

Most NGOs have access to basic office equipment, including computers, fax and printing machines, and access to the internet.

somewhat distant from the rest of society. Membership-based organizations and those that provide services for at-risk groups are the only organizations that have had success in raising funds locally.

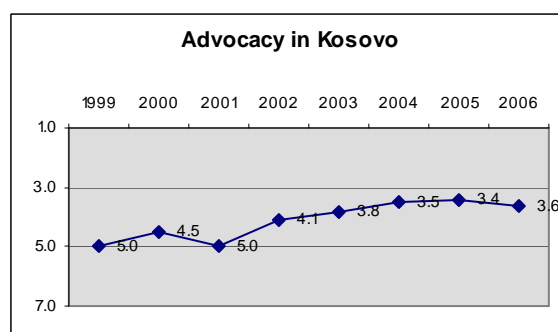
More organizations write strong proposals, which is largely due to greater competition for the fewer funds that are now available. Those NGOs that receive donor funds have appropriate financial accounting systems and are able to perform independent financial audits. NGOs are increasingly aware that their survival depends on their fundraising skills. Local

donors report that one issue is the lack of demographic information about Kosovo, which is required for successful fundraising.



The government increased the number of contracts awarded to NGOs and both central and local governments have awarded contracts to NGOs for services ranging from reconstructing houses, conducting assessments, and most frequently, producing policy papers that support efforts to draft new laws.

ADVOCACY: 3.6



NGO advocacy has deteriorated significantly in 2006. Despite concrete examples of issue-based coalitions, civil society has failed to initiate many advocacy efforts. The process of final status negotiations has overshadowed most other issues, no matter their importance; it is almost as though the social and political actors agreed to suspend all other initiatives until final status is resolved. The NGO sector's greatest

failure over the past year has been the failure to influence the new NGO law.

NGOs face greater difficulties lobbying for policies or legal reforms in the national government than in the past. This is due in part to the fact that people working in public institutions are more experienced and confident in their work, and are less open to outside ideas or influence. The situation at the local level is different and community organizations have had greater success in presenting issues that are important to the community to the municipal assemblies.

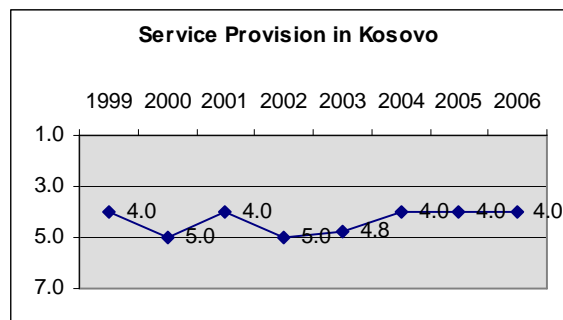
Some NGOs have had moderate success in building issue-based coalitions. Two examples are the NGO Code of Conduct Coalition, which is developing a code of conduct, and the Forum for Pension Rights, which was successful in ensuring public hearings for new draft legislation on pensions.

SERVICE PROVISION: 4.0

The Service Provision dimension has deteriorated slightly over the past year. Though the number of NGOs that receive government contracts increased, service providing organizations like Mother Theresa now have to pay VAT on imports, a change which has had significant impact on their activities.

Generally, NGOs provide a wide range of services, and more NGOs are involved in areas such as economic development, environmental protection, and governance. The number of organizations that receive grants and contracts to provide services to communities is unchanged. The Community Development Fund and some women's and youth rights organizations are the major recipients of these

grants and contracts. The government has commissioned NGOs such as Riinvest to provide expertise to the Kosovar negotiation team that works with Mr. Ahtisarri on the Kosovo settlement document.



NGOs are able to recover the costs associated with providing their services. A number of nonprofit educational institutions generate income by charging their students tuition. The American University of Kosovo is the best example.

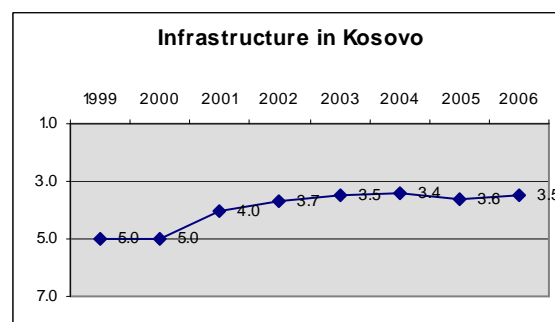
INFRASTRUCTURE: 3.5

The Infrastructure dimension improved slightly in 2006. The Advocacy Training and Resource Center (ATRC), which is located in Prishtina, continues to be the only resource center that operates in Kosovo. ATRC underwent structural reorganization and staff changes in 2005 and since then has been increasingly active in providing training and capacity building for NGOs. Several private companies also offer management trainings that NGO staff and leadership increasingly attend.

As in 2005, five local grant making foundations distribute foreign funding to local organizations, though only one is based outside of Prishtina. These grant making foundations make all decisions concerning funding priorities and objectives, and are therefore able to address both the needs of society as well as those of local NGOs. The Community Development Fund continues to provide grants to NGO service providers, which increases the availability of social services. The active foundations are able to meet community needs, such as shelter and infrastructure. KFOS provides assistance to a wide range of NGOs, especially those that provide services to minorities. The Kosovo Civil Society Foundation re-grants funding provide by the European Agency for Reconstruction, and the Kosovo Women Initiative grants funding to

smaller women's rights organizations in the rural areas. The Foundation for Democratic Initiatives provides grants to NGOs that engage in advocacy activities.

Despite several attempts, civil society organizations have been unable to create one body that represents the sector's interests. The small number of issue-based coalitions is a good start, but they are insufficient to represent the entire sector. The objective for forming a representative organization is to create permanent channels of communication that NGOs may utilize for constituency building and facilitating cooperation.



Business associations in various sub-sectors of the economy continue to be the most efficient coalitions of special interest groups. The Association of Milk Producers and its successful efforts to reform laws governing the

importation of dairy products is one example of effective lobbying.

PUBLIC IMAGE: 3.8

The Public Image dimension deteriorated slightly over the past year, despite the ability of NGOs to attract the attention of both national and local media. Media coverage is generally positive and relates to the public events that NGOs organize. The rules and regulations governing the public television station (RTK) changed this year; it is no longer able to broadcast NGO public service announcements free of charge because PSAs are considered advertising.

Overall the public has a positive perception of NGOs and greater understanding of their activities. The most significant public relations issue over the past year was a corruption scandal in one of the local women’s rights organizations, in which the head of the organization was arrested and is awaiting trial for the misappropriation of funds. Though it may take the NGO sector more time to overcome these scandals, more NGOs file annual financial reports and conduct audits, which will increase their transparency and improve their image in the future.

